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1969 ANNUAL REPORT



"Dairymen Since 1898"

DIRECTORS

R. W. Greenwood	-	-	-	Burlington
F. W. Hamilton	-	-	-	Ancaster
R. D. Isbister	-	-	-	Hamilton
D. A. C. Martin, Q.C.	-	-	-	Hamilton
A. S. McKee	-	-	-	Burlington
N. R. McLeod	-	-	-	Winona
W. P. Pigott	-	-	-	Ancaster

OFFICERS

President	-	-	-	-	-	-	F. W. Hamilton
Vice-President and General Manager	-						R. W. Greenwood
Vice-President and Assistant Secretary	-						A. S. McKee
Secretary-Treasurer	-	-	-	-	-	-	N. R. McLeod

BANKERS

Bank of Montreal

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company

PLANT AND OFFICES

Head Office — 225 East Ave. N., Hamilton, Ont.

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

As outlined in the Preliminary Financial Report issued in January, the attached financial statements are shown on a consolidated basis. Figures for the year 1968 have been re-stated on a consolidated basis consistent with 1969 statements to show a comparison between years.

Consolidated sales for the year increased by 13% over the previous year but net profits excluding a non-recurring capital gain of \$6,601 on sale of fixed assets, decreased from \$67,579 to \$37,716. Earnings per share for 1969 are \$1.01 per Class A Share and \$.30 per Class B Share compared to \$1.80 and \$.90 respectively for 1968.

Net profits for Royal Oak Dairy Limited of \$80,713 increased by 6% over the previous year. However Bantam Stores Limited, which is a wholly owned subsidiary, reported a net loss of \$42,972 in the fiscal year ended September 30, 1969. This resulted from increased operating expenses, costs of opening new stores and intensive competition in the retail grocery business. All assets of Riverview Dairy Limited, another wholly owned subsidiary, are leased by Royal Oak Dairy for a nominal sum. Consequently, this company has no significant profits.

Bantam Stores Limited has continued to operate at a loss during 1970 but it is hoped that certain measures now being taken to improve profits will show results by the middle of the year. To improve overall efficiency of the Company the Directors are proposing to purchase the assets of Bantam Stores Limited and to operate the stores as a division of Royal Oak Dairy Limited. Shareholders will be requested to approve this proposal at the Annual Meeting.

In spite of current reverses in profits the Directors feel that the Company is in sound financial condition. Sales are showing a satisfactory increase and profits are expected to recover later in the current year.

On behalf of the Board of Directors.

FRED W. HAMILTON,
President.

March 31st, 1970,
Hamilton, Ontario.

ROYAL OAK DAIRY

(A Public Company Incorporated in Canada)

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 1948

(With comparative figures for 1947)

ASSETS

Current Assets:	1969	1968
Cash	\$ —	\$ 36,705
Accounts Receivable	232,751	207,481
Marketable Securities, at cost (Market value \$404,437)	284,329	292,175
Inventories at lower of cost or realizable value:		
Products	342,949	255,342
Supplies	60,275	50,961
Prepaid Expenses	15,780	19,827
	<u>936,084</u>	<u>862,491</u>
Cans, Cases and Other Deferred Items	40,817	51,085
	<u>976,901</u>	<u>913,576</u>
Fixed Assets:		
Land, Buildings, Plant and Equipment as appraised at December 31, 1948 by the Dominion Appraisal Company Limited, with subsequent additions at cost	2,129,161	2,165,998
Less — Accumulated Depreciation as determined by the above mentioned appraisal at December 31, 1948 with subsequent provision based on original cost of the assets	1,200,018	1,215,145
	<u>929,143</u>	<u>950,853</u>
Goodwill	35,501	35,501
	<u>\$ 1,941,545</u>	<u>\$ 1,899,930</u>

Approved on behalf of the Board of Directors:

R. W. GREENWOOD
Director

N. R. McLEOD
Director

AUDITORS

We have examined the consolidated balance sheet of Royal Oak Dairy, Limited and retained earnings and source and application of funds for the year then ended. Our accounting records and other supporting evidence as we considered necessary in the circumstances have been examined.

In our opinion these consolidated financial statements present fairly the financial position and the source and application of their funds for the year then ended, in accordance with the accounting principles generally accepted in Canada at the end of the preceding year.

Hamilton, Ontario,
February 11, 1949.

IRY, LIMITED

(Under the Laws of Ontario)

BALANCE SHEET

As at December 31, 1969

(at December 31, 1968)

LIABILITIES

Current Liabilities:

	1969	1968
Bank Credit	\$ 207,372	\$ 150,000
Accounts Payable and Accrued Charges	586,597	630,207
Tickets and Bottles Outstanding	21,947	24,122
Managers' Deposits	30,545	11,939
Estimated Liability for Taxes on Income	17,419	(7,787)

Mortgages Payable (Note 4)	863,880	808,481
	78,927	82,781

Shareholders' Equity:

Share Capital:

Authorized:

37,500 Class "A" Preference Shares of no par value, cumulative dividends of 60c per share per annum, convertible for Class "B" Common Shares

87,500 Class "B" Common Shares of no par value of which 37,500 unissued shares are reserved for conversion of Class "A" shares

Issued and Outstanding:

37,500 Class "A" Shares and

50,000 Class "B" Shares for

Retained Earnings	629,321	639,251
Excess of appraised value of fixed assets over depreciated cost	244,417	244,417

998,738 1,008,668

\$ 1,941,545 \$ 1,899,930

The accompanying Notes are an integral part of the financial statements.

REPORT

its subsidiaries as at December 31, 1969 and the consolidated statements of income examination included a general review of the accounting procedures and such tests of instances.

position of the companies as at December 31, 1969 and the results of their operations in generally accepted accounting principles applied on a basis consistent with that

MacGILLIVRAY & CO.,
Chartered Accountants.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1969

(with comparative figures for 1968)

	1969	1968
Sales	\$ 7,440,555	\$ 6,586,109
Cost of Sales, including Selling, General and Administrative Expenses	7,234,793	6,369,517
	205,762	216,592
Provision for Depreciation	123,934	122,866
Interest on Long-Term Debt	5,985	5,974
	75,843	87,752
Net Profit before Taxes on Income	55,500	35,912
Income Taxes	20,343	51,840
Net Profit from Operations	17,373	15,739
Income from Marketable Securities	37,716	67,579
Net Profit for the Year	639,251	595,157
Retained Earnings at Beginning of Year	676,967	662,736
	—	42,520
Reduction in Allowance for Decline in Investments	676,967	705,256
	146	18,505
Other Items—net (Note 3)	47,500	47,500
Dividends	\$ 629,321	\$ 639,251

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1969

(with comparative figures for the year 1968)

	1969	1968
Source of Funds:		
From Operations:		
Net Profit	\$ 37,716	\$ 67,579
Depreciation	123,934	122,866
	161,650	190,445
Decrease in deferred expenditures	10,268	14,718
	171,918	205,163
Application of Funds:		
Additions to Fixed Assets—net	95,623	261,659
Mortgage Payments	3,854	4,342
Dividends Paid	47,500	47,500
Loss on Sale of Marketable Securities	6,747	7,331
	153,724	320,832
Increase (Decrease) in Working Capital	18,194	(115,669)
Working Capital — Beginning of Year	54,010	169,679
Working Capital — End of Year	\$ 72,204	\$ 54,010

ROYAL OAK DAIRY LIMITED

Notes to Consolidated Financial Statements

For the Year Ended December 31, 1969

1. The total direct remuneration paid to Directors and Senior Officers of the Company amounted to \$97,300 in 1969 and \$94,300 in 1968.
2. The 1968 comparative retained earnings analysis has been adjusted to dispose of items arising from consolidation.
3. The details of "Other Items—net" shown as an entry to retained earnings are as follows:

	1969	1968
Excess of book value of assets over cost re:		
Riverview Dairy Limited	\$ —	\$(6,558)
(Gain) or Loss in Disposal of Fixed Assets ...	(6,601)	16,449
Organization Expense Written Off	—	1,283
Loss on Sale of Marketable Securities	6,747	7,331
	<u>\$ 146</u>	<u>\$18,505</u>

4. Mortgages Payable are composed of the following:

6½%, due in 1971	\$23,064
7%, due in 1972	18,133
7%, due in 1975	5,800
7½%, due in 1976	13,532
8%, due in 1977	18,398
	<u>\$78,927</u>
5. These financial statements include the accounts of the parent company, Royal Oak Dairy, Limited and its wholly-owned subsidiaries, Bantam Stores Limited and Riverview Dairy Limited. The fiscal year end of Bantam Stores Limited is September 30, 1969 and its results have been consolidated as at that date.
6. In order to offset losses for income tax purposes, Bantam Stores Limited has claimed lower capital cost allowances than the depreciation recorded in the books by the amount of \$43,832.

